

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8161

BILL NUMBER: SB 605

DATE PREPARED: Apr 9, 1999

BILL AMENDED: Apr 8, 1999

SUBJECT: Children's Health Insurance Program.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill establishes the Children's Health Insurance Program (CHIP) within the Office of the Secretary of Family and Social Services (FSSA) to provide health insurance coverage to uninsured children. The bill also establishes the Children's Health Policy Board to coordinate aspects of existing children's health programs.

Medicaid Expansion: The bill provides that an individual who is less than 19 years old and who is a member of a family with an annual income that is less than 150% of the federal income poverty level (FPL) is eligible for Medicaid. (This provision makes permanent the Medicaid expansion that became effective July 1, 1998, and is set to expire June 30, 1999.)

CHIP Program: The bill provides eligibility requirements that a child and the child's family must meet in order to enroll in the program. Among these requirements are that children must be from families with incomes between 150% and 200% of FPL. It also provides that providers enrolled under the Medicaid program and providers enrolled under CHIP are considered providers for both programs. The bill also provides that the Children's Health Policy Board has authority to oversee all matters related to the Children's Health Insurance Program.

The bill also requires the Office administering the program to do the following: (1) Contract with an independent entity to conduct evaluations of the program every two years. (2) Establish a demonstration project in a community to provide mental health services in a managed care setting to participants in the program.

Medicaid Advisory Committee: The bill adds two parent advocates to the Medicaid Advisory Committee.

Medicaid Fraud Provisions: The bill also makes insurance fraud a Class C felony in any case where the fair market value of the offense is at least \$50,000.

The bill also makes conforming changes.

Governing Board of the Edgewater Systems for a Balanced Living: The bill also provides for the appointment of the 15 members of the governing board of the Edgewater Systems for a Balanced Living and provides for other details of membership on the governing board. The bill terminates the term of office of current members of the governing board, effective January 1, 2000.

Effective Date: Upon passage; July 1, 1999; January 1, 2000.

Explanation of State Expenditures: (Revised) *Children's Health Insurance Program (CHIP) - Costs of Medicaid Expansion:* This bill makes permanent the Medicaid expansion for children from families with incomes up to 150% of the federal poverty level (FPL). This expansion was set to expire June 30, 1999. (On June 30, 1999, the eligibility levels will revert to 150% of FPL for infants, 133% of FPL for children aged 1 through 5, and 100% of FPL for children aged 6 through 18.) This provision is estimated to cost \$14.19 million for FY2000, about \$16.95 million for FY2001, and \$17.80 million for FY2002 in state dollars (Total cost = \$52.55 million for FY2000, \$62.77 million for FY2001, and \$65.94 million for FY2002; federal share = \$38.36 million for FY2000, \$45.82 million for FY2001, and \$48.14 million for FY2002). The enrollment and cost estimates were developed by The Lewin Group for the Governor's Children's Health Insurance Advisory Panel.

Costs of CHIP Program: The CHIP program was authorized by Congress in 1997. Indiana's allotment is about \$97.09 million for each of FFY1999 and FFY2000; \$102.41 million for FFY2001; and \$78.47 million for FFY2002. Unused allotments may be rolled over to the next year. Each year's allotment remains available for three years, after which the unused allotment is returned for redistribution to other states. The CHIP program funding also comes with an enhanced federal match of about 73%, compared with the current federal match under the Medicaid program of about 61%. The reimbursement for expenditures under the CHIP program, as well as the Medicaid expansion described above, will be made at the enhanced rate of 73%.

The estimated cost of the CHIP program for those children between 150% and 200% of the federal poverty level in state dollars is \$6.92 million for FY2000, \$11.73 million for FY2001, and \$12.87 million for FY2002 (Total cost = \$25.64 million for FY2000, \$43.46 million for FY2001, and \$47.66 million for FY2002; federal share = \$18.72 million for FY2000, \$31.73 million for FY2001, and \$34.79 million for FY2002). Although the bill is not specific about the benefit package to be offered, the benefit package described by the CHIP Advisory Panel is used for estimating costs. The cost estimates include direct services, as well as administrative costs. Eligibility requirements may be adjusted by the Family and Social Services Administration (FSSA) based on available program resources. These estimates include the estimated cost of mental health parity until October 2001 when the statutory mental health parity provisions are due to expire.

The Children's Health Insurance Program Fund is also established by the bill. The Fund is to be a revolving fund for the purpose of paying expenses related to the CHIP program. Funds do not revert to the General Fund at the end of a fiscal year. The Fund includes amounts appropriated by the General Assembly and by the federal government, as well as fees, charges, gifts, grants, and donations.

Committees and Boards: A 13-member Advisory Committee for Children With Special Health Needs is established by the bill for the purpose of advising and assisting the Children's Health Policy Board, also established by this bill, in the development, coordination, and evaluation of policies that have an impact on

children with special health needs. The committee is composed of both state employees and lay members.

A seven-member Children's Health Policy Board is also established by the bill to direct policy coordination of children's health programs. The Board is to develop a comprehensive children's health policy; coordinate aspects of existing children's health programs; and collect, analyze, and disseminate data. The seven members are state employees.

Children's Health Insurance Program Fund: The Children's Health Insurance Program Fund is also established by the bill. The Fund is for the purpose of paying expenses related to the CHIP program and Medicaid expenses under Title XXI. Funds do not revert to the General Fund at the end of a fiscal year. The Fund includes amounts appropriated by the General Assembly and by the federal government, as well as fees, charges, gifts, grants, and donations.

Contracting with Community Entities: This bill also has a provision that the Office of Medicaid Policy and Planning may, in administering Medicaid managed care programs, contract with community entities, including private entities to manage outreach, the provision of services, consumer education, and public health education. Any fiscal impact would depend on administrative action and the specific contracts that may result.

Demonstration Project: The Office is to establish a demonstration project to provide mental health services in a managed care setting to CHIP participants. There would likely be some additional administrative costs to conducting a demonstration project. However, there would also likely be savings in service costs by providing mental health services in a managed care setting. The fiscal impact will depend upon the scope and design of the project.

Medicaid Advisory Committee: The bill adds two parent advocates to the Medicaid Advisory Committee. Additional costs would be paid from the budget of the Office of Medicaid Policy and Planning.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal funding for the CHIP program.

Felony Provisions for Fraud: The bill also makes insurance fraud a Class C felony if the fair market value of the offense is at least \$50,000. Class C felonies are punishable by 2 to 8 years of imprisonment and a maximum \$10,000 fine. Fines are deposited into the Common School Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration

Local Agencies Affected: Edgewater Systems for a Balanced Living Community Mental Health Center

Information Sources: Final Report of the Governor's Children's Health Insurance Advisory Panel, November 1998.